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13 **UNITED STATES DISTRICT COURT**

14 **NORTHERN DISTRICT OF CALIFORNIA, SAN JOSE DIVISION**

15 CLRB HANSON INDUSTRIES, LLC d/b/a
16 INDUSTRIAL PRINTING, and HOWARD
17 STERN, on behalf of themselves and all others
18 similarly situated,

19 Plaintiffs,

20 v.

21 GOOGLE, INC.,

22 Defendant.

CASE NO. C 05-03649 JW

**DECLARATION OF MICHAEL
SCHULMAN**

23 I, Michael Schulman, declare as follows:

24 1. I am employed as an engineer in the Moneta group at Google Inc. ("Google"). I
25 submit this declaration in support of Google's Motion For Summary Judgment, or in the
26 Alternative, For Summary Adjudication. I have personal knowledge of the facts set forth below
27 except as to those matters stated on information and belief, and as to those matters, I believe
28 them to be true. If called upon to testify, I could and would testify competently as to the matters
set forth herein.

29 2. Google's mission statement and guiding principle is to organize the world's
information and make it universally accessible and useful. Google provides one of the world's

1 most-used search engines at www.google.com. When a user enters a query, Google's search
2 engine returns relevant search results.

3 3. In 2000, Google launched its AdWords program. Through its online advertising
4 program, AdWords, Google posts advertisers' sponsored ads on Google's websites or Google's
5 syndication partners' websites.

6 4. An advertiser can sign up for the AdWords program on the Google website. For
7 advertisers like plaintiffs CLRB Hanson Industries, LLC, d/b/a Industrial Printing, and Howard
8 Stern ("Plaintiffs"), the AdWords program works as follows: The advertiser goes to the
9 AdWords website on his or her computer, registers, provides Google with a credit card number
10 and a billing address, and sets up an account. Advertisers have the option of selecting specific
11 geographic locations to target with their ads and the currency for payments to Google.

12 5. An AdWords advertisement has two components: the ad text, which is the words
13 that are displayed when the advertisement appears on a computer user's screen, and the
14 keywords, which are the search terms that are used to trigger the display of the advertisement.
15 When a user clicks on an advertiser's ad, the user is linked to a Uniform Resource Locator
16 ("URL") determined by the advertiser. An advertiser using AdWords is charged by Google
17 based in part on the number of times its ad is posted on a website or clicked upon by a user,
18 which is called cost-per-impression ("CPM") or cost-per-click ("CPC"), respectively.

19 6. When establishing an advertising account, an advertiser creates an ad campaign,
20 which consists of groups of different ads that all share common factors such as their daily
21 budget, language and location targeting, and the date the ads will end. The advertiser also enters
22 the ad text, provides Google with a display URL that appears in the ad, specifies a CPC, and
23 selects keywords.

24 7. The number of clicks an advertiser receives for a campaign can vary from day to
25 day depending on the usage patterns of Internet users. An advertiser could receive very few
26 clicks one day and a large number of clicks the next.

27 8. In addition, Google has a complex and confidential formula for determining
28 which advertisements are displayed and the order in which advertisements are displayed on a

1 website; however, the amount an advertiser is willing to pay as the CPC is one factor in
2 determining the order in which the advertisement appears.

3 9. In creating their ad campaigns, advertisers also select a "daily budget." The daily
4 budget is "the amount you're willing to spend on a specific AdWords campaign each day."
5 Recognizing that the daily budget is an advertiser's target, as opposed to its maximum, daily
6 advertising spending, the AdWords system was designed to average out natural fluctuations in
7 daily charges by permitting accrual of charges up to 120% of the daily budget in a day if it is
8 necessary to offset prior shortfalls within that monthly billing period.

9 10. Advertisers must agree to the terms and conditions of the AdWords Agreement
10 before their accounts become active. They agree to the terms and conditions by clicking on a
11 radio button on their account setup page when they first access their AdWords account, which
12 provides that they "agree to the above terms and conditions" and is located immediately below a
13 screen with the Google Inc. Advertising Program Terms. This is the same sign up procedure that
14 was in place in July 2002 and October 2003.

15 11. Google periodically updates the terms of the AdWords Agreement. When this
16 occurs, all advertisers are required to accept these new terms in order to continue advertising
17 with AdWords. Advertisers have a limited amount of time (generally 30 days from the initial
18 notification of the new terms) to log in and accept the new terms; otherwise, their accounts are
19 paused (i.e., no ads are displayed) until the change has been made.

20 12. As an engineer in the Moneta group, I am familiar with the AdWords billing
21 system and have access to customer invoices. I have reviewed the invoices for plaintiff CLRB
22 Hanson's advertising campaigns in February and March 2005. I have also reviewed the invoices
23 for plaintiff Stern's advertising campaign in April 2005.

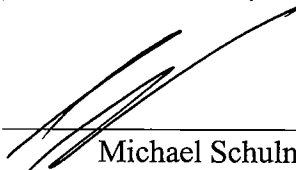
24 13. Attached as Exhibit 1 are true and correct redacted copies of plaintiff CLRB
25 Hanson's invoices for advertising campaigns it ran in February 2005. The advertising campaigns
26 listed in these invoices include: Contract Decorating, Mousepads, and Team. The charges for the
27 Contract Decorating campaign total \$1,399.99. The charges for the Mousepads campaign total
28 \$455.85. The charges for the Team campaign total \$1,385.51.

1 14. Attached as Exhibit 2 are true and correct redacted copies of plaintiff CLRB
2 Hanson's invoices for advertising campaigns it ran in March 2005. The advertising campaigns
3 listed in these invoices include: Contract Decorating, Mousepads, and Team. The charges for the
4 Contract Decorating campaign total \$1,019.90. The charges for the Mousepads campaign total
5 \$117.27. The charges for the Team campaign total \$1,018.60.

6 15. Attached as Exhibit 3 are true and correct redacted copies of plaintiff Stern's
7 invoices for the advertising campaign he ran in April 2005. These invoices show overdelivery
8 credits totaling \$17.23. The first invoice reflects an overdelivery credit in the amount of \$13.13
9 for the March 1 through April 14 time period. \$0.51 of this \$13.13 credit reflects a credit for the
10 March 1 through March 31 period. The remaining \$12.62 reflects an overdelivery credit for the
11 April 1 through April 14 period. The total credits for April 2005 amount to \$16.72.

12 I declare under penalty of perjury under the laws of the State of California and the United
13 States that the foregoing is true and correct.

14 Executed this 29 day of September, 2006, at Mountain View, California.

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Michael Schulman